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"FOX NEWS SUNDAY"

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SPEAKERS: CHRIS WALLACE, HOST

DAN PFEIFFER, WHITE HOUSE SR. ADVISER

REP. PAUL D. RYAN, R-WIS.

[\*] WALLACE: I'm Chris Wallace.

Today, the IRS scandal -- how far does it reach?

(BEGIN VIDEOTAPE)

BARACK OBAMA, PRESIDENT OF THE UNITED STATES: It's inexcusable, and Americans are right to be angry about it, and I am angry about it.

SEN. RAND PAUL (R), KENTUCKY: Someone needs to be held responsible. Someone needs to be imprisoned. Someone needs to be prosecuted.

SEN. MARCO RUBIO (R), FLORIDA: This is not just limited to the IRS. This is a culture of intimidation.

WALLACE: The president promises to fix the problem, as the White House goes into damage control, and congressional investigations gear up.

REP. CHARLES BOUSTANY (R), LOUISIANA: Why did you mislead Congress and the American people on this?

STEVEN MILLER, IRS COMMISSIONER: Mr. Chairman, I did not mislead Congress, nor the American people.

WALLACE: We'll talk with a member of the president's inner circle, senior advisor Dan Pfeiffer, and leading Republican and member of the first committee to probe the IRS scandal, Congressman Paul Ryan.

Plus, what does this crisis of confidence mean for the president's big government agenda?

We'll ask our Sunday panel about the storm clouds of distrust gathering over the White House.

All, right now, on FOX NEWS SUNDAY.

(END VIDEOTAPE)

WALLACE: And hello again from FOX News in Washington.

Someone described it as "hell week" for the White House, as the president and top advisors had to confront three major scandals, try to limit the damage to the administration, and to pursue Mr. Obama's second term agenda.

Joining us now is the president's senior advisor Dan Pfeiffer.

And, Dan, welcome back to FOX NEWS SUNDAY.

PFEIFFER: Thank you, Chris.

WALLACE: President Obama was asked a broad question about the IRS scandal this week and he gave a narrow answer. Let's take a look.

(BEGIN VIDEO CLIP) UNIDENTIFIED FEMALE: Can you assure the American people that nobody in the White House knew about the agency's actions before your counsel's office found out on April 22nd?

OBAMA: I can assure you that I certainly did not know anything about the IG report before the IG report had been leaked to press.

(END VIDEO CLIP)

WALLACE: So he only talked, the president, about the IG report. The question was broader, about any (ph) agency IRS activities. Can you say that no one at the White House knew anything about the IRS targeting conservatives before information about the IG report was given to the White House in April?

PFEIFFER: Yes. The first time, as we've said, that anyone heard about this at the White House was when the counsel's office at the Treasury Department called the counsel office of the White House a few weeks ago to let us know that there was an investigation that was coming to conclusion. We didn't know the details of it. We didn't see the report. So we didn't know facts at that point, just that such an investigation was coming to a conclusion.

WALLACE: But you didn't know anything about the idea that the IRS was targeting conservatives? You didn't even know the IG was investigating that?

PFEIFFER: No, we knew that the IG was investigating a potential targeting of political groups.

WALLACE: You did know that?

PFEIFFER: We did know, yes. We've said that, Jay Carney said that. We knew that from the counsel's office just a few weeks ago.

WALLACE: No, but I'm saying before that.

PFEIFFER: No, no one knew that. No one knew that.

WALLACE: All right. Here's the problem with that, because in the congressional hearing on Friday, the IRS's inspector general, Russell George, said that he had talked to Neal Wolin, the deputy treasury secretary around June of 2012, that's right in the middle of the presidential campaign, and told him that he was investigating IRS targeting of conservative groups. Are we to believe that the No. 2 man in Treasury never told Tim Geithner and Tim Geithner never told -- again, right in the middle of a presidential campaign -- never told anyone in the White House about something this politically explosive?

PFEIFFER: Here's the cardinal rule when you deal with situations like this. Is you never interfere with an independent investigation, you never give the appearance of interfering with an independent investigation. So as the Treasury Department said, they didn't tell anyone in the White House. The Treasury Department also said that all that Deputy Secretary Wolin was informed about was that such an inquiry was beginning. The inspector general also said he gave the same heads-up to Congress, including Congressman Issa, who had the requested the original probe. But there was no details, no evidence. And as Congressman Issa said as to why he didn't talk about this publicly, is that when you're dealing with a nonpartisan agency like the IRS, you wait to see what the actual facts are before you go out and make assertions.

WALLACE: But, again, I just want to make it clear. You're saying that nobody after that meeting between Russell George and Neal Wolin, nobody told the White House that this IRS IG investigation was going on?

PFEIFFER: That's what the Treasury Department said, and yes, that's what I'm telling you.

WALLACE: The rise of the Tea Party, and the application for tax exempt groups was a big deal at this point in the wake of the Citizens United ruling by the Supreme Court. It was a big issue for Democrats. In September of 2010, Max Baucus, the Democratic chair of Senate Finance, called on the IRS to investigate groups applying for tax exempt status.

In March of 2012, seven Democratic senators urged the IRS to beef up scrutiny. Dan, weren't the marching orders at this point to the IRS pretty clear? You had a number of Democrats, you had a bunch of Tea Party groups applying for tax exempt status, and you had Democrats in Congress saying to the IRS, we want you to investigate?

PFEIFFER: Look, don't take our word for it. Look at what the independent inspector general said in the report, and to Congress on Friday. That one, no evidence that there was any outside influences, other than this came directly from the IRS. And two, that was not necessarily based on political motivation. That's what the independent inspector general said.

WALLACE: You say "not necessarily based on."

PFEIFFER: What he said this was a management issue, not political motivation.

WALLACE: Well, except the IRS said something different. The man in charge of the IRS tax exempt division, Joseph Grant, until he recently announced he's going to step down, said that part of the reason for the increased

scrutiny for certain groups -- and this was his direct quote in a letter to the inspector general as part of this report -- numerous referrals from the public, media, watchdog groups, and members of congress. He's saying, yes, we were getting outside pressure and that's part of the reason we took this increased scrutiny of these groups.

PFEIFFER: Well, I can only tell you what the independent inspector-general found.

But here's the real issue, which is what happened there, whatever the motivation, was outrageous and inexcusable. And so what we have to do right now is fix the problem, make sure it never happens again, and restore public trust here, because it's critical that Americans know that the IRS is operating entirely in a nonpartisan way. And so that's what we're focused on.

WALLACE: But on the one hand you have Republican groups complaining about the fact that the Tea Party is being targeted. And that was going on all through 2010, 2011, 2012. A number of those who talked about -- Congressman Issa. I mean, Republicans were calling on the White House, calling on IRS, saying that the Tea Party groups are getting hammered at the same time that the Democrats are calling for more scrutiny. You're saying that there was no politics in the IRS decision?

PFEIFFER: I can only tell you what the independent inspector-general said. But we're going to look at all of this. The president's appoint a new acting commissioner of the IRS who is a career public servant, who served presidents of both parties, and he'll do a 30-day, top-down review to make sure this never happens again, and that anyone who did anything wrong is held accountable.

WALLACE: Did the president ever feel independently -- forget the IRS independent-general -- hey, I'm getting heat from Democrats to investigate, I'm getting all of these complaints from Republicans, why don't I as president step into this?

PFEIFFER: No president would get involved in an independent IRS investigation. That would be wholly inappropriate.

WALLACE: Even to say, we ought to take a look at this?

PFEIFFER: For very good reasons in this town, the White House stays as far as away from the IRS and lets them do their business.

WALLACE: You say it's wholly inappropriate, and at various points the president has talked about outrage, the anger that he feels, the anger that the American people feel. Why? Anger, outrage, over what?

PFEIFFER: Because it is critically important that the American people have trust that the IRS, which is involved -- has a very intimate with people and their finances -- it's critical that they know it's done in a nonpartisan way. And this was a breach of the trust. Regardless of the motivation, regardless of how it happened, it was a breach of the trust, so we have to fix it, we have to restore that trust.

WALLACE: Well, I want to talk about public confidence and breaches of trust, because an IRS official, Sarah Hall Ingram, who was, when all of this started, was in charge of the tax exempt division, is now running the IRS implementation of Obamacare.

Is the president, as part of this question of public confidence, is he going to replace her so that people can have confidence as IRS -- as Obamacare is implemented over the next year or two, and the IRS's role in it, that there's no political agenda?

PFEIFFER: Well, I think first it's important to note this individual was not named in the inspector-general's report. No one has suggested she's done anything wrong yet. We're going to -- the acting commissioner is going to do a 30-day review. And everyone who did anything wrong is going to be held accountable.

But I think before everyone in this town convicts this person in a court of public opinion with no evidence, let's actually get the facts and make decisions after that.

WALLACE: But Sarah Hall Ingram's role in all of this is going to be reviewed?

PFEIFFER: Everyone -- there's going to be a top-down review of the IRS and everything will be looked at, but there's nothing to suggest she did anything wrong.

WALLACE: OK.

Let's turn to Benghazi. And I want to ask you about one lingering question, which is the president's actions on 9/11, the night of the attack, because we don't know very much about that. We do know that in the afternoon he had already scheduled meeting with Defense Secretary Panetta as well as the chairman of the Joint Chiefs General Martin Dempsey when he heard about this while they were in a meeting on an unrelated subject. He said that wanted them to deploy forces as soon as possible.

The next time that he shows up, is as Hillary Clinton says that she spoke to him at around 10:00 that night after the attack at the consulate, not as it turned out at the annex, but the attack at the consulate was -- had ended. Question, what did the president do the rest of that night to pursue Benghazi?

PFEIFFER: Well, look, the president was kept up to date on this as it was happening throughout the entire night, from the moment it started until the very end. And because this is a critically -- this was a horrible tragedy. These are people that he sent abroad whose lives are in risk, people who work for him. And I recognize that there's a series of conspiracy theories the Republicans have been spinning about this since the night it happened, but there's been an independent review of this, congress has held hearings, we provided 250,000 pages of -- 250,000 pages of documents up there. There's been 11 hearings, 20 staff briefings. And everyone has found the same thing, this is a tragedy.

And so the question here is not what happened that night. The question is what are we going to do to move forward ensuring that this doesn't happen again. That's why Congress should act on what the president called for earlier this week, to pass legislation to allow us to actually implement all the recommendations of the independent accountability review board so we can protect our diplomats around the world, because when we send our diplomats off into far-flung places, there's an inherent level of risk. We should do what we can to mitigate that risk.

WALLACE: But with due respect, you didn't answer my question. What did the president do that night?

PFEIFFER: He was kept -- he was in constant touch that night with his national security team and kept up to date with the events as they were happening.

WALLACE: When you say his national security team, he didn't talk to the secretary of state, except for the one time when the first attack was over. He didn't talk to the secretary of defense. He didn't talk to the chairman of the Joint Chiefs. Who was he talking to?

PFEIFFER: He was talking to his national security staff, his National Security Council, the people who keep him up to date about briefings as they happen.

WALLACE: Was he in the Situation Room?

PFEIFFER: He was kept up to date throughout the day.

WALLACE: Do you not know whether he was in the Situation Room?

PFEIFFER: I don't remember what room the president was in on that night. And that's a largely irrelevant fact.

WALLACE: Well --

PFEIFFER: The point is -- the question is -- the premise of your question is that somehow there was something that could have been done differently, OK, that would have changed the outcome here. The accountability review board has looked at this. People have looked at it. It's a horrible tragedy, what happened, and we have to make sure it doesn't happen again.

WALLACE: Here's the point, though. The ambassador goes missing, ends up the first ambassador in more than 30 years is killed. Four Americans, including the ambassador, are killed. Dozens of Americans are in jeopardy. The president at 4:00 in the afternoon says to the chairman of the Joint Chiefs to deploy forces. No forces are deployed. Where is he while all this is going on?

PFEIFFER: This has been testified to by the --

WALLACE: Well, no. No one knows where he was, or how he was involved, or who told him there were no forces -

PFEIFFER: The suggestion of your question is that somehow the president --

(CROSSTALK)

WALLACE: I just want to know what the answer is.

PFEIFFER: The assertions from Republicans here that somehow the president allowed this to happen or didn't take action is offensive. It is absolutely an offensive premise. And there's no evidence to support it.

WALLACE: We are just -- I'm simply asking a question. Where was he? What did he do? How did he respond? Who told him that you can't deploy forces, and what was his response to that? PFEIFFER: As I said, the president was in the White House that day, he was kept up to date by his national security team. He spoke to the secretary of defense and the chairman of the Joint Chiefs earlier. The secretary of state later. And as events unfolded, he was kept up to date.

WALLACE: Let me -- here's one of the reasons that people have questions about this. This week, the White House released 100 pages of emails, all the communications between the various agencies in the two days before Susan Rice came on this and four other Sunday talk shows.

I just want to put up a couple of the emails from Friday, Friday the 14th, two days before Susan Rice made her television appearance. Friday, 6:48 p.m., Tommy Vietor in the White House. "FYI, Brennan," that's the president's counter-terrorism adviser, "we'll have edits. I'll waiting for those." 7:39 p.m., Victoria Nuland at State, "talking points could be abused by members of Congress to beat the State Department for not paying attention to agency warnings. So why do we want to feed that either?" But here's what the president's spokesman, Jay Carney, said about all of this last November. Take a look.

(BEGIN VIDEO CLIP)

CARNEY: The White House and State Department have made clear that the single adjustment that was made to those talking points by either of those two -- these two institutions were changing the word "consulate" to "diplomatic facility," because consulate was inaccurate.

(END VIDEO CLIP)

WALLACE: That's the problem. He says there was a single adjustment by the White House and State. Any fair reading of the emails, just the two I read, that's totally misleading.

PFEIFFER: I think we should look -- now that the emails are out, and everyone can look at them -- and I think one of the problems that there's so much controversy here is because one of the emails was doctored by a Republican source and given to the media to falsely smear the president.

WALLACE: I'm not talking about that.

PFEIFFER: No, I know, but that's an important point here, because now the emails are out--

WALLACE: I am basing mine -- would you agree that the ones I read--

(CROSSTALK)

PFEIFFER: Absolutely -- I am not -- absolutely. The point here is that the emails you're referring to were provided to Congress two months ago. Congress looked at them, didn't say a word, did not bat an eye. They were provided in the context of John Brennan's confirmation as CIA director. After seeing the emails, they approved John Brennan with a large bipartisan vote. So this has been looked at. There is no issue here.

What's clear from these emails is three things that debunk all of the Republican conspiracy theories here. First the idea that there was a protest is in every version of the talking points put forward, edited and written by the CIA.

WALLACE: No.

PFEIFFER: Yes.

WALLACE: They say the attack -- I just read it this morning. They say the attack was inspired by the protests in Cairo. There is no mention of a protest against the video in any of the talking points.

PFEIFFER: Yes, the idea that -- the point is that the -- the argument here has been, from Republicans, is that it was -- had nothing to do with the protest, and that was somehow fabricated by the administration for political reasons. That is clearly not true.

WALLACE: (inaudible) about the video in the talking points?

PFEIFFER: There was a mention that the inspiration is that --

WALLACE: What happened in Cairo.

PFEIFFER: Correct.

WALLACE: But no demonstration against the video in Benghazi?

PFEIFFER: The fact that that happened is what a lot of people (inaudible). The second thing in the talking points is that the references to terror and al Qaeda were removed, not by the White House, not by the State Department, but by the CIA. And this is why--

WALLACE: But the State Department was demanding that it be removed.

PFEIFFER: But this is the third thing that's clear from this, is that the motivation here was to try to get it right as best we could in a very challenging situation with changing information. And two, to protect the integrity of the investigation. That is why (inaudible). In the actual email that was released, not the doctored version, the actual email, the White House involvement here is to say we have to protect the equities, particularly the investigation, because that's what's important, because we want to bring these people to justice.

WALLACE: All right.

PFEIFFER: And I do think, I will say, as it relates to the doctored email, the question for the Republicans is, are they going to be, is Congressman Issa and others are going to be as interested in tracking down the Republican who doctored this email and released it as they are in investigating all these other things? I certainly hope they would be.

WALLACE: We're going to agree to disagree on the emails. I have one last question for you, because we're running out of time.

Some critics say, that when you take a look at all of these scandals, the confluence of these scandals, AP, Benghazi, IRS, that it raises questions about the president's activist government solutions to problems, and they also note how often the president says that he found out about any problems when all the rest of us did. Take a look.

(BEGIN VIDEO CLIP)

OBAMA: I first learned about it from the same news reports that I think most people learned about this.

CARNEY: He found out about the news reports yesterday on the road.

Everyone knows, the president did not know about this tactic until he heard about it through the media.

OBAMA: It was something we found out about along with all of you.

(END VIDEO CLIP)

WALLACE: How can people have confidence in the president's programs when so often -- and this isn't just coming from Republican conspiracy -- you're seeing this in the mainstream media. So often he seems to be a bystander to the problems in his own administration.

PFEIFFER: I think that's an absurd proposition. If you -- let's theme (ph) out what we're talking about. We're talking about the IRS, and the Department of Justice investigation. What would be a real problem is --

WALLACE: And Fast and Furious.

PFEIFFER: Which is also a Department of Justice investigation. What would be a real problem would be if he was involved in those things. Like I said, the cardinal rule is you don't get involved in independent investigations, and you don't give the appearance of doing so. So that's the right thing.

The question here is, now that -- when problems come forward, how does the president react? In the case of the IRS, within a few hours of the actual report being released, he'd met with the Treasury secretary, with the Treasury Department, addressed the nation, and taken action, including the -- asking for the resignation of the acting IRS commissioner. So it's how you respond to those problems. And that's what the president did.

WALLACE: Dan, thank you. Thanks for coming here. (CROSSTALK)

WALLACE: Taking all of my questions. We'll disagree about some of the answers, but thank you as always.

PFEIFFER: Thank you.

WALLACE: You just heard the White House response to the IRS scandal and other controversies.

Next, we'll sit down with one of the top Republicans demanding answers, congressman and former vice presidential nominee, Paul Ryan.

(COMMERCIAL BREAK)

(BEGIN VIDEO CLIP)

RYAN: He didn't mention targeting based on buzzwords like "Tea Party" or "patriots" or "9/12". You knew that, but you didn't mention this to the committee.

Do you not think that that's a very incomplete answer?

STEVEN MILLER, ACTING IRS COMMISSIONER: I answered the question truthfully.

(END VIDEO CLIP)

WALLACE: Congressman Paul Ryan asking the acting IRS Commissioner Steven Miller why he didn't tell Congress a year ago when he found out there were serious questions about the IRS targeting conservative groups.

Congressman Ryan joins us now from Janesville, Wisconsin, to talk about the IRS scandal and President Obama's other problems.

Congressman, welcome back.

RYAN: Thanks for having me, Chris. Good morning.

WALLACE: Well, let's start with your question to acting Commissioner Miller. Why do you think he and other top officials did not tell Congress when they learned a year ago, in May of 2012, about the political targeting of conservative groups? Do you think this was just a bureaucracy trying to protect itself, or do you think it had something to do with the fact that we were right in the middle of a presidential campaign?

RYAN: Well, I don't know the answer to that question. I'm not necessarily going to speculate. We're going to investigate and find the answer to that question. Chris, what we do now know is that for roughly two years, the IRS was targeting Americans based upon their political beliefs. What we do now know is that the IRS misled Congress.

You have to understand, the Ways and Means Committee opened this investigation about two years ago, asked repeatedly these questions to the IRS, and they withheld this information from Congress.

So that's what we now know. So we're going to continue this investigation, get to the bottom of this -- who knew, what did they know, why did they do this, how high up in government did it go?

I mean, look, we have -- people have no trust that their government is being impartial. This is arrogance of power, abuse of power to the nth degree, and we're going to get to the bottom of this.

And so, I don't know the answer to your question. And we're going to find out.

WALLACE: You just heard Dan Pfeiffer. He says that nobody in the White House knew about this until the I.G.'s report was relayed to them in late April, or the fact of it was relayed to the White House counsel.

Do you have any evidence that information about the political targeting of conservatives went either to the Treasury Department or to White House officials before what the White House is saying?

RYAN: We don't know the answer to that. This is just the beginning of this investigation. Remember, the inspector general just did an audit. They didn't do an investigation, like emails and things like that.

The inspector general told us at the hearing they're in the midst of an investigation. What we received the other day is an audit, which revealed they misled Congress, that they were, in fact, targeting people and their political beliefs. We have credible evidence that donors were harassed and intimidated.

WALLACE: Let me interrupt --

(CROSSTALK)

RYAN: The point is, Chris, we're in the beginning (ph) of this investigation. We don't know the answer to that.

WALLACE: What's the difference between an audit and an investigation? What are you saying they've done? What are you saying they haven't done?

RYAN: Well, an audit is a measurement of behavior, and what actually occurred. But an investigation, they didn't look at emails, they didn't look at intent, they didn't look who was in the chain of information. So, none of that information has been acquired yet. That's what the I.G. is doing now. That's what our congressional overseers are doing now as well. So, all we have is a simple audit. We don't have a thorough investigation. That's not the report we got. That is what is now occurring.

So we just don't have the answers to all those questions. That's what we're going to find out.

WALLACE: During the hearing on Friday, Commissioner Miller said that the targeting of conservative groups, the Tea Party and other conservative groups, was simply a bureaucratic effort, an efficiency move, if you will, to try to deal with this big spike in groups, political groups, after the Citizens United Supreme Court ruling, who were asking for tax-exempt status.

And I want to go to the inspector general's report on that, because he said that 298 groups received special scrutiny. Of those, 96 were Tea Party type groups.

That means, then, Congressman, that 2/3 of the groups that received special scrutiny were not Tea Party-type groups.

RYAN: Chris, what we also know from just this one hearing is that groups with the word "progressives", or "organizing", groups with liberal persuasion, did not have this targeting. They went through. They were approved.

So, we know that they specifically targeted people based on their political beliefs, based on people who had suspicion of the size and direction of government, based on Tea Party and 9/12 and word "patriots".

So, we know for sure they targeted people based on their political beliefs. We've got allegations based on, you know, religious beliefs that were contrary to the presidents' positions. We have credible allegations that donors to these groups were targeted. We know that the IRS leaked private information to the public, for political which served political purposes.

So there's so much more that we have just uncovered that we do not know the root causes of. And so, to suggest that this is some bureaucratic snafu, that's already been disproven, Chris.

The other point I'd say, as bad as this is, the person in charge of this bureaucratic snafu has now been put in charge of implementing Obamacare. I mean, the IRS now is going to be granted huge amounts of unprecedented power over our healthcare in the implementation of Obamacare.

And so, this is rotten to the core. This is arrogance. This is big government cronyism.

And this is not what hard-working taxpayers deserve. People deserve a government that they can trust, that's honest, that's impartial -- equality before the law, and that's not what we're getting here. And so, to try and suggest that this is just bureaucratic snafus, we already know that that is not true. WALLACE: Congressman, let's turn to Benghazi. You say -- you said this week -- there's no doubt that the Obama administration, your words "no doubt," engaged in a cover-up of Benghazi in their use of the talking points, but President Obama pointed out this week that Susan Rice appeared on the Sunday talk shows, and just three days later, Matt Olsen, head of the National Counterterrorism Center, told Congress that it was an act of terror.

Take a look at what the president said.

(BEGIN VIDEO CLIP)

BARACK OBAMA, PRESIDENT OF THE UNITED STATES: Who executes some sort of cover-up or effort to tamp things down for three days? So the whole thing defies logic.

(END VIDEO CLIP)

WALLACE: Congressman, does the president have a point there, a three-day cover-up?

RYAN: Look, Chris, what we now know from congressional testimony is that the number two man in Benghazi,



the deputy chief of mission informed his superiors, including the secretary of state, that this was a terrorist attack. Those of us who have had the briefings and seen the videos know that there was no protest involved. And to suggest afterwards that this was the result of a spontaneous protest we know is now not the case.

And so, the burden of proof here is on the administration's side. And it is why did they continue to push this kind of a story when they knew nearly immediately afterwards that that was not the case? So that's really the question.

And, by the way, they released some emails, not everything. We've only seen parts of this story. The point here, Chris, is not that this is some -- this is not a partisan endeavor. This is a -- what is the truth and why was the truth intentionally distorted? And we want to make sure something like this never happens again.

People deserve honest government. People deserve to be told the truth by their government. That's not what here getting here, whether it's the HHS, whether it's the IRS, or whether it's the State Department.

WALLACE: Congressman, you say that it's not partisan, but the fact is you had a big stake in all of, this because at the very time that all of the talking points about Benghazi came down, you were Mitt Romney's running mate, trying to unseat President Obama.

Do you believe -- do you believe that the White House purposely misled the American people on Benghazi to try to beat you and Mitt Romney and win the election?

RYAN: I don't know the answer to that question. So I'm not even going to speculate, but that's what good oversight does. That is what this investigation is all about, which is, why did they continue to perpetuate this story, which they knew was not true, and what was the reason for doing so?

So rather make a conclusion before an investigation has been completed, I think we just need to investigate this for the sake of good government. This is what the legislative branch does, that's what the separation of powers is all about, accountability of the executive branch by the legislative branch.

And so, I don't want to speculate as to why and what they did until we have all of the information. I think what we know right now is that they were misleading.

WALLACE: We have less than two minutes left, Congressman. When you look at all these scandals -- IRS, the subpoena of "The A.P." records, Benghazi, and as I pointed out to Dan Pfeiffer how often, when these things come down the president's says, "Well, I just learned about it when everybody else did" -- what do you think it says about this president in his second term?

RYAN: The way I look at this, Chris, you mentioned the last campaign. Governor Romney and I we had to campaign against big government in theory. President Obama passed his agenda, but he didn't implement his agenda. So, we had to campaign against his rhetoric, his empty promises.

Now, we're seeing big government in practice. Now, we're seeing the arrogance. We're seeing the cronyism in practice in this second term. And that is even uglier than big government in theory.

And so, this is what's disturbing about this, which is, you know, we had a challenge in the campaign against empty rhetoric, now the country is seeing what this kind of big unlimited government does in practice. And that is -- that is not a pretty picture. This is why we have to do our jobs to bring accountability to the federal government, to bring trust back to the hard-working taxpayers. And unfortunately I think we're going to go through a painful exercise in this country where we learn that these abuses are occurring, and our rights as citizens are being infringed upon.

WALLACE: Congressman Ryan, we've got to leave it there. I want to thank you so much for coming in today and talking with us. Always a pleasure to talk with you, sir.

RYAN: Thanks, Chris.

WALLACE: Coming up, we'll have more on putting out the firestorm at the IRS.

(BEGIN VIDEO CLIP)

BARACK OBAMA, PRESIDENT OF THE UNITED STATES OF AMERICA: I promise you this, that the minute I found out about it, then my main focus is making sure that we get the thing fixed.

(END VIDEO CLIP) WALLACE: We'll ask our Sunday panel can the president get out ahead of this scandal.

(COMMERCIAL BREAK)

(BEGIN VIDEO CLIP)

REP. MIKE KELLY (R-PA), WAYS AND MEANS COMMITTEE: I just think the American people have seen what's going on right now in their government. This is absolutely an overreach, and this is an outrage for all America. Now, yield back.

MR. MILLER: All right.

(END VIDEO CLIP)

WALLACE: Republican Congressman Mike Kelly strikes a chord at Friday's IRS hearing, expressing outrage over the political targeting of conservatives. And it's time now for our Sunday group. Brit Hume, Fox News senior political analyst, Kirsten Powers of "The Daily Beast" website, GOP guru, Karl Rove, and former Democratic Congressman Dennis Kucinich. We've got to come up with a better name here than guru. I don't know. But you just -- you seem like ...

KARL ROVE, GOP STRATEGIST: Either that or I start wearing saffron robes.

WALLACE: There you go. Brit, as someone who was around during the Nixon presidency, I think you would agree that we're a long way from Watergate at this point, but how serious is the IRS scandal and how do you think the Obama administration is doing, the White House, at trying to handle it?

BRIT HUME, FOX NEWS SENIOR POLITICAL ANALYST: I think it's quite serious. We don't know how far it goes, we don't know yet what its dimensions are and so on. I'm saying two things about it. And the reason why this is problematic for the administration is -- one is that this action coincided with the political interests of the Obama team, that is to say the action was taken overwhelmingly against conservative groups. And the second thing is, that the administration has had trouble telling the truth about it. I mean, as recently as just the other day, you had the -- on his way out acting director saying on the Hill, arguing with the idea that anyone was targeted, and then, of course, Congress had asked for information, which was not forthcoming when the IRS higher-ups found out about it, that never -- Congress was never told. Another case where there's been difficulty telling the truth. Well, you put those two things together, you've got a combustible mix, and this is the stuff of what scandals are made. The same applies, might I add parenthetically, to Benghazi as well, coincided with the administration's interest not to have a big deal made out of it at the time in the middle of the campaign, and the administration has had a terrible time telling the truth about it.

WALLACE: Kirsten, IRS?

KIRSTEN POWERS, THE DAILY BEAST: Yeah, I think that -- I agree completely with Brit in terms of the problems, the way that they're handling it. And one of the Democratic talking points, right out of the box was, this was an IRS talking point, was there was this big surge that we got in applications, and so we had to create these terms. Well, then the Atlantic did a story about this, saying that this is absolutely false. There was no huge surge of applications. So that's not true. Second of all, progressive groups were not targeted as far as we know. So, this is transparently political. The question is why? Who's the person who instigated it? You know, we know that the Treasury Department now knew about it. They say they will look an investigation, there's nothing we could do. But look, they were having hearings on the Hill about this, and a lot of this was being brought to light. And to me, if the White House is really concerned about it, it does seem like it's something they could tamp down if they wanted to.

WALLACE: Karl, I've got a couple of questions for you. You were one of the founders of Crossroads GPS, which was part of American Crossroads, the Super PAC. A couple of questions -- first of all, why should a group like Crossroads GPS, which was so deeply involved in politics, qualify, and I should add, this was true on the left as well, with Priorities USA, they had a similar group, why should they qualify for tax exempt status as a social welfare group, a lot of people are asking that, and didn't? Whether there was a surge or not, I think there's some disagreement about that. Didn't the IRS have a problem in the wake of the Citizens United Supreme Court ruling in getting a handle on the question of what groups did and didn't qualify for -- under the tax code 501(c)4 status.

KARL ROVE, FORMER BUSH WHITE HOUSE ADVISOR: Well, good questions. Look, 501(c)4's have been around for a long time, and the Democrats on the left have used these for years, these social welfare groups to do some politics and a lot of social welfare. NAACP voter fund, for example, ran a \$10 million advertising blitz in 2000 against George W. Bush. The League of Conservation voters, the Sierra Club, Planned Parenthood, National Abortion Rights Action League, and so forth -- all of them are 501(c)4s. And there are pretty clear rules about

what you can and cannot do. You have to spend a majority of your money on social welfare and a minority of your resources on political activity. And there are very clear definitions of what constitutes political activity and what doesn't. So, what happened is, the Democrats had this for decades, literally decades, and no criticism at all. And then Republicans began in 2010 to say, wait a minute, if it's good enough for them, we'll duplicate that structure as well. And then suddenly we get what we get, which is a huge bunch of activity aimed at conservative groups that are filing as 501(c)4. The only advantage of a 501(c)4, is, is it allows you to take your contributions and not treat them as income and pay taxes on them. That's the one advantage that it still allows you to do.

WALLACE: And also the donors aren't revealed.

ROVE: Well, because, again, it's a social welfare organization. And this ...

WALLACE: Right. But that's taking advantage of being ... ROVE: And this literally goes back to the 1940s when criminal penalties were added for the revelation by the IRS of donors, because southern attorney generals were attempting to get the donors to the NAACP.

WALLACE: Congressman Kucinich, how do you see -- but fairly whether you call it targeting or not, the extra scrutiny the Tea Party groups got, is this just a bureaucratic move, as you heard Commissioner Miller say, an efficiency move or was this political targeting?

DENNIS KUCINICH, FORMER U.S. REP. (D-OH): There's evidence to suggest that there was political targeting. You have to look at the context. These 501(c)4s, you can call it social welfare, but they're political organizations. The question is, does IRS have the ability anymore to audit these organizations? That's a problem, Chris, because we're not looking at whether or not anybody can put together 501(c)4 after Citizens United, and you have to look at the context. These 501c4s, call it social welfare, but they're political organizations. The question is, does IRS have the ability anymore to audit these organizations? That's a problem, Chris, because we're not looking at whether or not anybody can put together a 501(c)4 after Citizens United and be able, under the ages of social welfare engage in blatant political activity. What happened with the IRS is absolutely wrong and needs to be condemned. And people need to be held accountable, but we also have -- we have to be careful about giving a free pass to all these people where suddenly in the 501(c)4 business of social welfare.

WALLACE: Let me just -- we're running out of time, Brit. To make matters even more touchy for the Obama White House, the woman who used to be in charge of the tax exempt division, Sarah Hall Ingram, now has a new job, and Republicans are jumping all over it. Take a look.

(BEGIN VIDEO CLIP)

REP. ANDY HARRIS (R ), MARYLAND: It turns out that the IRS official who oversaw the operation that's under scrutiny for targeting conservatives is now in charge of the IRS's Obamacare office. You can't make this stuff up.

(END VIDEO CLIP)

WALLACE: Brit, with public doubts according to the polls growing about Obamacare as it gets closer to implementation, this isn't going to help.

HUME: No. And you think about what outgoing commissioner Miller said on the Hill the other day when asked why he got -- why he's on his way out, and he said he didn't -- wasn't personally involved in doing this, he didn't bring this about, but he has to be held accountable for it. Well, if he does, surely then presumably she does. And her promotion into this new and increasingly important job is a little hard to defend, it seems to me. And I don't see how it could be sustained. She may have known nothing about all this, but it was happening on her watch in a unit which she supervised. If he's gone, she should be gone.

WALLACE: 30 seconds.

ROVE: I like Dan Pfeiffer defense of her, he said she was ignorant of all this happening. So therefore she should be allowed to be in charge of Obamacare. Here's the woman in charge of the division, completely ignorant, he says, of what was going on underneath, and that is the reason she ought to be promoted to this newer responsibilities. That's an endorsement.

WALLACE: All right. We have to take a break here. When we come back, what do all the president's problems tell us about prospects for the Obama agenda in his second term?

(COMMERCIAL BREAK)

(BEGIN VIDEO CLIP)

UNIDENTIFIED MALE: It's fun, but beyond that, it's professionally rewarding, because these things matter. This is part of history.

WALLACE: They've been part of the Washington scene for more than 30 years.

UNIDENTIFIED MALE: That's the type of experience in government, is absolutely wonderful.

WALLACE: Stay tuned. We'll be right back.

(END VIDEO CLIP)

(BEGIN VIDEO CLIP)

REP. JOHN BOEHNER, (R-OH), HOUSE SPEAKER: Nothing dissolves the bonds between the people and their government like the arrogance of power here in Washington. And that's what the American people are seeing today from the Obama administration. Remarkable arrogance.

(END VIDEO CLIP)

WALLACE: House Speaker John Boehner suggesting the president's problems this week with the IRS, Benghazi and the subpoena of the A.P phone records make a bigger point about his approach to governing. And we're back now with the panel. Karl, that's the narrative Republicans are pushing this week, that the President Obama supports, advocates activist government solutions, and that these scandals -- IRS, A.P, Benghazi -- show the danger of big intrusive government. How much traction do you think that argument has?

ROVE: I think it's an open question. It depends on how the investigations and the hearings go in the next couple of weeks. But I think there's a more fundamental problem the administration faces, and that is its credibility. Each one of these things involves its credibility. You know, look, the president is responsible in part for the IRS by setting the tone. It was he who went to Bowie State University in October of 2010 and called this 501(c)4's a, quote, "threat to democracy." I mean I can imagine some low-level bureaucrat in Cincinnati saying, boy, let's get revved up about this because the president says it's a threat to democracy.

Similarly with his words on Benghazi that got him into trouble, it was his words through his agent Susan Rice saying this is all the responsibility of, you know, an anti-Muslim video, which provoked a spontaneous reaction in front of the U.S. consulate and the U.S. annex in Benghazi. So, credibility matters. And that's now started being reflected a little bit in the polls. There's a Pew poll out that says that very -- not the -- less than a normal number of people are paying attention to Benghazi, but of those that have been watching it, 37 percent say it proves the president's honesty, 40 percent says it shows that he's being dishonest with the people. This is even more problematic than arrogance of power.

WALLACE: I want to go back to arrogance of power, though. Congressman Kucinich, as a liberal, as a self-professed, unapologetic liberal, after a week like this, particularly with the Justice Department subpoenaing all these records, with the IRS targeting people, won't more Americans see government as the problem, not the solution?

KUCINICH: Well, the first problem here, as it was said, there's some who can only see the wrongs of the president and the other party. I mean, we still haven't had President Bush, for example, account for why he took us into war in Iraq, and all the dead soldiers as a result, and the dead Iraqis.

ROVE: Oh, please.

KUCINICH: No, really ...

ROVE: Silverman-Robb commission looked into that ...

KUCINICH: Come on, listen.

ROVE: ... (inaudible) by a bipartisan commission.

KUCINICH: We went to war ...

ROVE: And stop -- just stop defending ...

KUCINICH: Where were the weapons of mass destruction?

ROVE: Stop defending -- stop defending Obama and blaming Bush.

KUCINICH: I hope President Obama accountable ...

ROVE: That's gotten really, really and really tiresome.

KUCINICH: And I hope President Bush accountable.

You can't just attack President Obama and not look at what President Bush did.

ROVE: Silverman -- again, Silverman -- Robb commission looked into it from top to bottom. Move on.

KUCINICH: You know what?

WALLACE: All right. Move on in any case. So what's your point, though, about government?

KUCINICH: My point is, look, President Obama hasn't done anything about the unemployment problem. We have massive amounts of people who are out of work. And the oxygen that's being sucked out by some of these scandals may (inaudible) the White House, but he still has to be held accountable for not creating the jobs. We have about 8 million people out of work, about another 8 million people working part time and shouldn't be. We need an economic agenda. We don't have it. And as far as government being too big, national security state, too big. Military, which goes abroad and creates wars, too big.

WALLACE: Brit, let me pick up on that, because the White House is putting out the word, indeed, over the course of this weekend that this president, you know, despite his problems, that he's going to deal with the problems, is determined to pursue his agenda on immigration, on jobs, on the budget, on energy. But again as somebody who's been around a while, when you can -- in the middle of these scandals, it's hard ...

HUME: No, it's radio silence. I mean you -- it happens in campaigns, too, when you get some blunder. It's all the news coverage is about. It does suck up all the oxygen in the Capital City, and it's hard to move an agenda forward. And there's also this point, you're beginning to see now a line of defense emerging on these cases, these three cases, which basically is, yeah, we screwed up. There is this -- Sharyl Attkisson of CBS News has a very interesting story based on conversations with the senior administration official, unnamed, in which they are talking about Benghazi, and what they didn't do that night. And yeah, we should have sent the emergency team, we should have -- and we screwed up. This is an incompetence defense. You see the same thing with the IRS. Bungling in the Cincinnati office is blamed. You see it emerging perhaps with regard to the subpoenas -- or the -- the monitoring of the phone calls of the A.P. reporters. And that is that somebody overdid it, overcooked it, went too far. The problem with all of that is at the core of liberalism is the idea that government is a great mediating force, acting on behalf of the national electorate to balance the competing interests of people.

HUME: To protect the weak from being dominated by the strong, and so on, and that government agencies can and should do this fine work and are well capable of doing it. When you have simultaneously three scandals affecting different agencies of government, different people, and the White House, and it's all chalked up to bungling, it really diminishes the argument for that side of the political divide.

WALLACE: Kirsten, I mean what about that argument, which is - and that's what the Republicans are saying now, this president wants big government solutions, activist government solutions. This shows government has serious problems.

POWERS: Well, first of all, I think there's a difference between activists and big government. I agree with Obama, that the government can be an ultimate force for good in the world. I don't think any of this is an argument against liberalism. These are all bad -- it's bad behavior by people in the government. In each of these situations. I mean, nothing about Benghazi imputes anything bad upon liberalism. This is specific to the administration mishandling something.

WALLACE: How about the idea of the IRS handling the role of Obamacare?

POWERS: Well, they're not actually handle - they're going to be handing out, they're going to be overseeing whether a person has complied with the mandate. They're going to, you know, be doing some --

WALLACE: Enforcement.

POWERS: Basic - yes, but they're not - they're not looking at people's medical records.

WALLACE: I understand.

POWERS: I mean this idea that they're going to be overseeing our healthcare is incorrect. So, you know, I just --

I think that it's -- it's a narrative that will work with people who want that to be the narrative, I think, that this is bad for liberalism. But look, when Obama came in, there already was no trust for the government. It was 17 percent, was the number of people who trusted our government, which is a historic low. It's the lowest that it's ever been in history. So, you know, I think that he was coming in already with a very, very heavy lift.

WALLACE: You know, Karl, there was a story in the papers over the weekend that the White House chief of staff Dennis McDonough had met with top aides in the West Wing and had said, I want you to spend no more than ten percent of your time on any of these scandals. How realistic is that? You've been in the middle of some of these scandals in the Bush White House. How consuming are they?

ROVE: Good luck, good luck. Look, it will consume as much time as is needed. And look, we're going to have three or four weeks, or five or six weeks, of hearings and debate back and forth on Capitol Hill. It's going to consume a lot of time. I want to say that I think this narrative of not being able to get things done, it's not just the government can't get things done, it is President Obama can not get things done. Right after the November election, the Pew charitable trust did a poll, 57 percent of American people thought the president was able to get things done. 37 percent said he was not. After we've had the year thus far, in which the budget, the sequestration, all of this, the administration has fallen flat, it is now 49 percent say you can get things done, down at eight, and can't get things done up 46. With the debt - with the coming battle over the debt ceiling of the budget, and all of this, I think this is going to get worse, not better.

WALLACE: You have a poll for everything, don't you?

ROVE: I've only offered up two, I think, today.

(LAUGHTER)

WALLACE: But they're just appropriate.

Thank you, panel. See you next week. And don't forget to check our Panel Plus, where our group picks right up with the discussion on our Website, FoxnewsSunday.com, and make sure to follow us on Twitter @FoxnewsSunday. Up next, our "Power Players" of the week.

(COMMERCIAL BREAK)

WALLACE: And they've been part of the Washington scene since the '80s at the center of some of this town's biggest scandals. And while you have undoubtedly seen them, chances are you know little about them. So here are up close and personal, our power players of the week.

(BEGIN VIDEOTAPE)

JOE DIGENOVA, ATTORNEY: We get hired because we are from Washington, we are of Washington, we understand Congress, we understand the Justice Department.

VICTORIA TOENSING: And we really care.

WALLACE: There they were in a big congressional hearing a few days ago, the husband and wife legal team of Joe diGenova and Victoria Toensing, representing two State Department whistleblowers, speaking out on Benghazi.

WALLACE (on camera): Honestly do you like these high-profile cases?

DIGENOVA: Absolutely. It's fun. But beyond that, it's professionally rewarding, because these things matter. This is part of history.

WALLACE (voice over): They've been part of the Washington scene for more than 30 years. She worked for the Reagan Justice Department, helping set up the terrorism unit. He was the U.S. attorney who prosecuted corruption inside the administration of former D.C. Mayor Marion Barry.

DIGENOVA: Great, great memories of public service, I mean it's a kind of thing you take with you for the rest of your life. And the truth is, you can never duplicate that. That type of experience in government is absolutely wonderful.

I think that suits the bill.

UNIDENTIFIED FEMALE: OK.

DIGENOVA: That's great.

WALLACE: Since 1988, they have been in private practice together, handling big cases, and commenting on others.

TOENSING: He controls a lot of things. He threatens a lot of people.

WALLACE (on camera): You guys like appearing on TV, don't you?

TOENSING: Yes, but most always until recently about somebody else's cases.

WALLACE (voice over): They met at an Equal Rights Amendment rally at the 1980 Republican Convention.

TOENSING: I had 30 pins with me that I was selling for a big \$3 apiece.

DIGENOVA: I said how many of those pins do you have? She said 30. I said how much are they? \$3 apiece. I said I'll take them all.

WALLACE: Ten months later they had their wedding reception in the Senate caucus room.

(on camera) I don't think of you as mellow people. How do the two of you get along?

DIGENOVA: Great. Are you kidding me? We have a ball, we travel all over the world together, we work together.

TOENSING: It's never boring.

WALLACE (voice over): In Washington, diGenova is almost as well known for his singing as for his lawyering.

DIGENOVA (singing)

WALLACE: But there's no time for that now. Representing two Benghazi whistleblowers and they think more to come.

Toensing says they got involved after hearing from one of their national security contacts the Obama administration was lying.

TOENSING: They said, what our government is telling us is wrong. It's not correct. And so I cared about it from that moment on.

WALLACE: They are one of the town's real power couples, and they thoroughly enjoy it.

DIGENOVA: To be able to talk to each other and know that you have the confidentiality, not only of lawyer to lawyer, but husband to wife, the cross-section of law and politics in Washington, D.C. is the lifeblood of this city, and to be in the middle of it is absolutely spectacular.

(END VIDEOTAPE)

WALLACE: Joe says he was the confirmed bachelor before he met Victoria. When I asked whether she has softened him these last 20 years, he says he still has some rough edges, but he's a better person for being married to her.

Now, this program note. Next week, a special interview with former Senate Majority Leader Bob Dole as he approaches 90. He looks back on his extraordinary life of service to this country. You won't want to miss it. And that's it for today. Have a great week. And we'll see you next Fox News Sunday.

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